



COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

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Mr. Ken Grehm, Director of Public Works & Facilities/Road Commissioner
Placer County Department of Public Works
3091 County Center Drive, Suite 220
Auburn, CA 95603

Re: Countywide Procurement Card Program Audit

Dear Mr. Grehm:

The Internal Audit Division of the Auditor-Controller's Office routinely reviews and/or audits the Procurement Card purchases. After completing the monitoring review for the period of January 1 to June 30, 2019, the Internal Audit Division initiated a compliance audit for the period of July 1, 2019 to March 13, 2020. The objective of the audit was to review Procurement Card usage for compliance with County policies and evaluate the administration of the Procurement Card Program for adequate internal controls.

We reviewed a sample of the Department of Public Works' (Department) Procurement Card purchases and related documentation files to ensure the Department's compliance with current policies and procedures, and to determine if adequate internal controls are in place and operating as designed. Based on our monitoring review and compliance audit, we determined there were several instances of non-compliance with County policies and procedures related to Procurement Card purchases, as well as areas where internal controls could be strengthened. Accordingly, our observations and recommendations are as follows.

Observation #1– Unallowable Charges per County Policies

We found an instance in which Cardholder used the Procurement Card to pay for a personal expense which is not allowed by County policies. Additionally, reimbursement for the transaction was not made timely.

Section 2.0 of the Procurement Card Policy (PCP) states, "County issued Procurement Cards are authorized for the purpose of conducting County business. The card is strictly for official County use and may not be used for personal purchase or under circumstances that would create a conflict of interest."

Section 1.3 of the Procurement Card Procedures Program Manual (PCPPM) states, "If the card is used in an unauthorized manner, repayment must be coordinated with the Cardholder Supervisor/Manager and Fiscal staff. Repayment in full for unauthorized use must be made immediately."

Per Section 3.1.6 of the PCPPM states, "If there are Procurement Card unallowable charges per the applicable policies (e.g. Meals & Travel, Procurement Policy or other related or applicable policies), the Cardholder shall provide payment, as reimbursement, to the Limited Program Administrator. The Limited Program Administrator will deposit the funds to offset the charge."

Example: On 12/2/2019, the Cardholder inadvertently used the Procurement Card for a personal expense. Subsequently, the Cardholder reimbursed the County on 1/7/2020, 36 days after the transaction and uploaded the proof of reimbursement within the reconciliation period.

Recommendation #1

We recommend the Cardholders and Approving Officials revisit and understand the PCPPM to ensure that Procurement Card purchases are following all applicable County policies and procedures. Further, we recommend Cardholders exercise due care when making purchases to ensure the method of payment is appropriate. By exercising extra caution, this will minimize the chance of accidental use of the Procurement Card for personal expense.

In addition, we recommend the Department put a system in place to ensure, if a Cardholder uses the Procurement Card for unallowed purchases, that reimbursement to the County is made immediately.

Department's Response:

We have reviewed the audit findings and recommendations with the DPW management team and card users. During this review we discussed the proper County policies and procedures as follows.

- *Personal charges are not allowed.*

We plan to have an annual review of the policy to remind everyone of the requirements and responsibilities. Additionally, since this audit we have included an additional review step by one of our financial administrative staff to ensure all policies are being adhered to.

Observation #2– Purchases were Approved without Adequate Documentation

We identified instances where the procurement purchases were not supported with adequate documentation. This included:

- Missing Department Head approval for miscellaneous expense for meetings & special events,
- Purchase was not supported with an itemized invoice/receipt, and
- Supporting documentation was uploaded after the reconciliation period.

Section 3.2 of the PCP discusses the accountability of Cardholder and Approver and states, "Cardholders shall review their statement of transactions and provide the appropriate documentation for all purchases. All transactions must be submitted and reviewed by the Cardholder within the defined timeframe for each cycle period..... Approvers shall review the Cardholder's transactions and confirm that appropriate documentation is provided, the purchase is appropriately budgeted, and in accordance with County policies and procedures. All transactions must include the applicable department accounting information and be reviewed by the Approvers within the defined timeframe for each cycle period."

In addition, Section 3.3 of the PCPPM states the Limited Program Administrator (LPA) shall "ensure that any needed documentation is attached to each cardholder statement and that the online documentation represents a full and complete summary of all the needed and required documentation to validate the purchases."

Missing Department Head Approval for Miscellaneous Expense for Meetings & Special Events

Example: On 9/19/2019 and 9/21/2019, the Cardholder purchased meals for the Park Commission. However, the purchase was not supported with Department Head approval which is required per the Meals, Lodging, Travel and Transportation Policy (MLTTP).

Section 3.2C of the MLTTP¹ states, "Department Heads may authorize other miscellaneous expenses (e.g., coffee, non-alcoholic beverages, and food), for special events if, in the opinion of the Department Head, such expenses would be conducive to the efficient conduct of County business, and the cost is reasonable. For example, it may be appropriate to provide beverages and food at board or commission meetings, seminars, and workshops that extend over normal "break" periods, or when it is to the benefit of the County to keep the participants together and not have them disperse for breaks."

Purchase was not Supported with an Itemized Invoice/Receipt

Example: On 6/10/2019, the Cardholder made a purchase for County business. However, the purchase was not supported with an itemized receipt in the Wells Fargo system. Subsequently, the Department provided the itemized receipt to us after we inquired about the supporting documentation.

Section 2.6 of the PCPPM states, "The Cardholder will go to the place of business and obtain the commodity or service. A description of commodities purchased, quantity purchased, price per item, and the total amount including sales tax and shipping charges should be included on the itemized receipt and included as the backup documentation for the transaction. A simple receipt that only reflects the total charges is not acceptable documentation for the transaction. If the receipt or invoice is not itemized, the Cardholder must fill out the "Missing Receipt" form and include all appropriate information that demonstrates compliance with the applicable County policy."

¹ Section 3.2C is now Section 3.2f in the revised MLTTP that was updated on 5/5/2020.

Supporting Documentation was Uploaded after the Reconciliation Period

We found an instance in which the Travel Request (TR) was signed and uploaded into the Wells Fargo Bank system after the reconciliation period (e.g., after the grace period had ended) and the Approver approved the statement without the supporting documentation. We did not find any documentation in the Wells Fargo system to explain the reason for the late submission.

Example: On 10/16/2019, the Cardholder purchased airfare for an overnight County business trip. However, the TR was signed and uploaded four days after the reconciliation period had ended.

Section 3.1 of the PCPPM details the Cardholder's actions and it states, "review and complete the Open Statement and submit the reconciled transactions and related documentation online within the required period. If the Cardholder is unable to review their statement within the required period, they must notify their Approver in advance."

Recommendation #2

We recommend Cardholders start the reconciliation process as soon as the purchase cycle has closed to ensure all related documentation are submitted in the Well Fargo system within the reconciliation period. If the Cardholders cannot review their statements by the grace period, they must notify their Approver in advance and upload proof of the communication in Wells Fargo system. Also, we recommend the Department designate a Reconciler to each Cardholder as the Reconciler can serve as a backup to reconcile and submit Cardholder statements.

In addition, any additional approval from the County Executive Officer, Department Head or designee that is required by County policies and procedures should be uploaded to support the transaction. We recommend the Approving Officials and LPAs perform a detailed review of the supporting documents to ensure completeness, accuracy, and compliance.

Department's Response:

We have reviewed the audit findings and recommendations with the DPW management team and card users. During this review we discussed the proper County policies and procedures as follows.

- *Purchases must have a detailed receipt.*
- *Miscellaneous expenses for meetings or special events such as a luncheon or a dinner must be approved by the Department Head.*

We plan to have an annual review of the policy to remind everyone of the requirements and responsibilities. Additionally, since this audit we have included an additional review step by one of our financial administrative staff to ensure all policies are being adhered to.

Observation #3– Lack of Detailed Description for Transaction

We found instances in which the Cardholder did not include a detailed description of the transaction to justify the purpose of County business.

Per Section 3.1.1 of the PCPPM, the Cardholder's actions include "adding a detailed description and updating the coding for each transaction."

Example #1: On 11/26/2019, the Cardholder purchased a television for the Granite Bay yard and did not provide the County business purpose for the purchase (e.g., who was the purchase for and why was the purchase made). Therefore, we cannot determine whether the transaction was for County business and whether it was a reasonable and necessary expense.

Page 58 of the Accounting Policies & Procedures Manual (APPM) also states, "Expenditures for goods and services must be reasonable and necessary. Reasonable purchases are those for basic goods and services obtained at the lowest possible price.....Services should be the least costly that still perform the required function. Necessary purchases are those required by County departments to fulfill their respective missions."

Example #2: On 2/4/2020, a purchase was made on the Department's general card (DPWF Tahoe-Engineering) for an event ticket to the First Tuesday Breakfast Club for the Assistant Director. However, there was no additional explanation or justification of the County business purpose for the breakfast club meeting. Therefore, we cannot determine whether the transaction was for County business.

Recommendation #3

Without a detailed description, the reviewer/approver cannot determine the legitimate business purpose of the transactions. Therefore, we recommend the Cardholder include a detailed description explaining the County business purpose for the purchase in the "Description" field or on the supporting documents uploaded when he/she reconciles the statement. The description should provide sufficient information about the purpose of conducting County business. For the above purchases, we recommend the Department verify the County business purpose of the transactions and determine whether reimbursement to the County is necessary.

Department's Response:

We have reviewed the audit findings and recommendations with the DPW management team and card users. During this review we discussed the proper County policies and procedures as follows.

- *Purchases must have a detailed description.*
 - *4 W's – Who, What, Where & Why*

We plan to have an annual review of the policy to remind everyone of the requirements and responsibilities. Additionally, since this audit we have included an additional review step by one of our financial administrative staff to ensure all policies are being adhered to.

The Department's responses to the recommendations identified in our audit are included above. We did not audit the responses and accordingly, we do not express an opinion on them.

We appreciate the courtesy and cooperation of the Department's staff throughout the course of the audit.

Respectfully,



Nicole C. Howard, CPA
Assistant Auditor-Controller

cc: Becky Correa, Administrative & Fiscal Operations Manager
Dena Beyer, Administrative & Fiscal Officer II
Brett Wood, Purchasing Manager, County Executive Office
Placer County Audit Committee